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COMMENTS OF SIERRA PACIFIC POWER COMPANY (U 903-E) ON THE ISSUES RAISED IN THE FINAL KEMA REPORT PHASE 2 LOW INCOME ASSESSMENT

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I. INTRODUCTION AND SUMMARY

Sierra Pacific Power Company ("Sierra") hereby submits these comments responsive to the Administrative Law Judge's September 27, 2007 Ruling ("September 27th Ruling") requesting responses to questions posed therein.[1] Sierra is a small or multi-jurisdictional utility ("SMJU") with approximately 45,000 customers primarily in the Lake Tahoe region of northeastern California. It provides only electrical service to its California customers. Accordingly, Sierra will limit its comments to issues raised by the KEMA Report and will not address the NGAT program.

For many years now Sierra has supported the Commission's CARE and LIEE programs, and it continues to work diligently and cooperatively with the Commission to implement the goals of these programs. Sierra extended its cooperation to KEMA during the preparation of the "Final Report on Phase 2 Low Income Needs Assessment" ("KEMA Report"), and in particular engaged in a conference call on April 5, 2007 with other SMJUs following issuance of the Draft

[1] "Administrative Law Judge's Ruling Seeking Comments On Issues Raised In The KEMA Report And On Natural Gas Appliance Testing Issues", mailed on September 27, 2007.

Report. At that time, Sierra (and other SMJUs) expressed its concern that certain information related to Sierra's customers was incorrect, and understood from KEMA that it would follow up individually with SMJUs to correct the information. In Sierra's case, this was not done. As a consequence, the final KEMA Report, issued on September 7, 2007, contains factual errors related to eligibility of Sierra customers for the CARE and LIEE programs that still should be corrected.

In addition, it is clear from the KEMA Report that its Key Findings and Recommendations are directed toward the four major California IOUs (e.g., Pacific Gas & Electric, Southern California Edison, Southern California Gas, and San Diego Gas & Electric) and not to the SMJUs. Virtually all of the factual information used to support its Key Findings relates to the large IOUs. This was even the case with the principal question relating to the SMJUs regarding coordination between electric service providers. Consequently, the conclusions of the Final Report pertaining to whether and how the LIEE program is meeting the needs of low income utility customers should not be applied to the SMJUs because they are not based upon evidence gathered about them.

Nevertheless, Sierra will comply with the ALJ's September 27th Ruling by answering the questions posed therein and commenting upon the proposal outlined in Attachment A. Sierra will base its answers on its own experience with the LIEE program.

II. COMMENTS ON THE SEPTEMBER 27TH RULING

A. Questions 1 through 10

The September 27th Ruling poses 10 questions to address issues raised by the Final Report. Sierra can comment on several of these questions but not all. As a result, it will only provide comments on questions where it can provide constructive input.

Sierra's California service territory is characterized by relatively higher density of residences in and around the Lake Tahoe Basin and a relatively lower density of households in its four county service territory outside of that area (e.g., Portola). Virtually all of its customers live in the Sierra Nevada Mountains, in alpine or sub-alpine zones. Its territory also contains a heterogeneous mix of low, medium and upper income residents. While there are likely pockets of lower income households and possibly enclaves of ethnicity, Sierra has no studies from which to collect reliable information on exactly which homes house which populations. Consequently, Sierra has no demographic information on individual households.

Consequently, Sierra could not target specific households in order to target certain ethic or other groups because it has no reliable information on where they live. Sierra has tried to reach low income populations by targeting customers in certain zip codes with promotional LIEE materials, but this geographic strategy has not yielded an increase in LIEE participation thus far. No other strategy presents itself as likely to improve program participation. Sierra already partners with low income agencies for CARE outreach, and co-markets its CARE and LIEE programs, and attends home shows semi-annually with promotional materials. These are low cost measures that provide fairly high visibility. If the Commission wishes to pursue higher cost measures then Sierra believes that it should study the cost effectiveness of such strategies, something that the KEMA Report does not do.

Other questions in the September 27th Ruling suggest strategies that, in Sierra's judgment, offer few prospects for greater success. For example, Sierra disagrees with any assumption that recipients of LIEE program aid suffer a social stigma for receiving benefits. Sierra maintains the privacy of all aid recipients so there is no way for neighbors or members of the public to know who is or is not receiving CARE discounts or LIEE benefits. Another question suggests that the LIEE process could be simplified to reduce confusion or wait times. The application process in Sierra's service territory is already simple and streamlined. LIEE program benefits are accessed through an application that contains a table listing income ranges to qualify for the program. It is very straightforward. If an applicant believes that they qualify, then there is a number to call a live service representative, not a recorded message or computer program, to answer questions and to assist with completing the application. Sierra has received no complaints about this program with respect to either complexity or delays. Thus, Sierra cannot suggest how to make the application process any easier.

The Ruling also asks Sierra how it can better coordinate with other regulated utilities and reduce the cost of locating eligible customers. Sierra already coordinates very closely with Southwest Gas ("SW Gas") as part of its overlapping customer service territories. (Sierra provides electricity and SW Gas provides natural gas service to the same customers.) Sierra and SW Gas efficiently operate both their LIEE and CARE programs in a complimentary manner to insure that more low income customers can be reached for the same administrative and outreach expenses. For example, Sierra and SW Gas now share the same income qualification criteria, at 200% or less than the Federal Poverty Income level, as well as data pertaining to both their CARE and LIEE programs. Both utilities contract with a joint venture consisting of the private firms Project Go, Inc. and Richard Heath and Associates to reach eligible LIEE customers and assist with determining their needs. Sierra and SW Gas split their funding of Project Go based upon projected energy savings. Their working relationship is close, efficient and fruitful and serves as a model of cooperation. As a result, Sierra is already quite efficient in locating new customers. For example, Sierra already does joint marketing with its CARE program and average outreach costs were only $18.92 per newly enrolled customer in 2005, despite having to operate in a rural alpine setting.

Nevertheless, the KEMA Report says that its assessment indicates the need for improvement in coordination between SMJUs in areas served by more than one utility. (KEMA Report, p. 1-10.) However, the KEMA report cites to no data or analysis of the existing cooperation between Sierra and SW Gas. It is Sierra's opinion from reading the KEMA Report that KEMA may have examined inefficiencies in coordination between SMUD and PG&E and simply extrapolated that the same situation exists for all SMJUs. (KEMA Report, p. 7-29.) This conclusion is unwarranted and is not a rational basis for extending KEMA's recommendation in this respect to Sierra.

The September 27th Ruling also asks how Sierra can improve education and training of programmable thermostats. Use of programmable thermostats can always be improved though the benefits of increased education and training are difficult to measure. Since Sierra's California territory is alpine its customers use very little air conditioning in contrast to its heavy heating load. When programmable thermostats are installed pursuant to LIEE funding, Project Go representatives instruct residents who are present in how to program the new thermostats. But of course all residents who live in a house may not be present at installation and so a significant portion of LIEE beneficiaries probably do not receive this initial training. Sierra follows up with semi-annual educational literature in the form of bill inserts, though again there is no guarantee that residents who live at an address will read and follow the directions. The question is always how to obtain the cooperation of customers who do not have the time or inclination to absorb education and training. One approach is always to make programmable thermostats more intuitive and less complicated so that they are easier to operate even without training. Another possible approach is to provide a meter reading that displays when and how much money customers are saving over a given period (e.g., daily) when the thermostat is operated properly compared to prior use patterns. Such a measure would be imprecise though similar applications have been used in other settings, such as automobiles. Sierra is always interested in working with the Commission and potential vendors to explore and test potential design innovations.

B. Comments on the KEMA report.

The September 27th Ruling also asks for comments on recommendations in the KEMA Report. From Sierra's perspective, the KEMA Report has questionable relevance to Sierra's LIEE strategies. Though the report is long and substantive, virtually all of it is devoted to the major California IOUs, and little reliable data is presented for Sierra or the other multi-jurisdictional utilities.

For example, in Section 1.3.1 KEMA concludes that one in three California households qualified for CARE and LIEE in 2006. The income criteria to qualify for the CARE and LIEE programs in Sierra's service territory was recently raised to 200% of the federal poverty index (FPI). According to John Peterson of Athens Research, KEMA finds that 7,328 out of 24,652 customers live within 200% of FPI in Sierra's service territory. The SMJU's were informed of the draft KEMA Report (dated September 5, 2006) in March 2007. As a result, Sierra participated in a conference call on April 5, 2007 with PacifiCorp and SW Gas, Energy Division Staff and KEMA to discuss the concerns about the SMJU data in the draft report. At that time Sierra commented that the 24,652 "residential customers technically eligible" for CARE and LIEE utilized by KEMA was too high and over 30% higher than Sierra's 18,870 permanent residential customers in 2005 (18,726 in 2006) in our service area. Sierra pointed out that the unique characteristics of our service area needed to be factored in the KEMA data. In addition, LIEE eligibility should not be the same as CARE eligibility but a much smaller subset. Sierra believes KEMA should have started with the number of 18,870 and then factored in that Sierra's service territory consists of high value vacation and retirement homes and has a high cost of living. Sierra's estimated number of CARE eligible customers has been 2,300 (at 175% of FPI) and we achieved almost 70% penetration in 2006. In 2007, Sierra's LIEE threshold income levels are at 200% of FPI and we estimate there to be about 3,000 CARE eligible customers. KEMA CARE eligibility numbers appear to be over 50% higher than they should be because their starting point is incorrect and Sierra's unique service area characteristics are not reflected in the numbers. While LIEE eligibility is difficult to estimate, Sierra estimates it at roughly 6% of CARE eligibility. Nevertheless, KEMA did not follow up with Sierra after being informed that their information was probably in error and did not change the figure in their final report. As a result, Sierra believes that estimates of CARE and LIEE penetration rates are too low as artificially high eligibility numbers skew the estimates on the low side. (KEMA Report, Table 5-6.) Sierra recommends that new estimates be generated with more accurate data before such estimates are used as a basis for recommendations on additional strategies to increase CARE and LIEE participation.

While the report is rich in data for the four major California IOUs, estimates of CARE and LIEE eligibility and participation rates are the sole data points that KEMA presents on Sierra's CARE and LIEE programs.[2] So, for example, KEMA is not in a position to characterize low income households in Sierra's service territory for demographic, economic and other parameters because there is no evidence that it conducted the proper on-site surveys or

[2] In fact, a word search of the KEMA Report reveals 123 "hits" for PG&E and 153 hits for SCE, but only 8 hits for Sierra and 7 hits for PacifiCorp. This gross disparity in data illustrates Sierra's point – that the KEMA report does not contain enough information to extrapolate recommendations to Sierra.

analyzed appropriate Census data specific to Sierra's California customers. Similarly, it is unclear from the KEMA Report whether any of its conclusions pertaining to household energy burden should apply to Sierra because the statistical information it references does not appear to pertain to Sierra or the other SMJUs. (See Tables 5-7 through 5-10.)

Sierra believes that the information in the KEMA report is inadequate to draw conclusions about the success of Sierra's LIEE programs. Consequently, Sierra cautions the Commission about accepting recommendations for the SMJU programs that are based on data applicable to the large IOUs.

C. Comments on Attachment A.

In addition to commenting directly on the KEMA Report, the September 29th Ruling asks for comments on Attachment A, which was prepared by Energy Division Staff based on the KEMA Report. Attachment A presents several program delivery strategies based on the permutations of two factors: neighborhood density and energy usage. Since the measures of Low and High Density, and Low, Medium and High Energy Usage, are not defined, Sierra views the permutations as qualitative and intended for comparative purposes only.

Sierra is generally supportive of the ideas stated in Attachment A. For example, in low density and low energy usage situations, it makes sense to deliver low cost measures at events that may attract concentrations of local customers. Conversely, in high density and high energy usage situations, it also makes sense to deliver a more comprehensive suite of LIEE services, which would require spending more money. However, what is missing in this qualitative approach is a common metric to measure cost effectiveness of various options in order to judge where to draw the line when authorizing expenditures in a medium density/low energy usage versus low density/low energy usage situations, for example. Because ratepayer dollars are always limited, the difficulty will always be how to judge what outreach measures (which will have different costs in different areas) are worth the money when the pay off is uncertain. Though Attachment A introduces a conceptual framework for analyzing this question, Sierra believes that it needs to be refined with cost effectiveness criteria.

Sierra looks forward to working with Commission staff and other interested parties to improve access to the LIEE program, and appreciates the opportunity to comment on the KEMA Report.

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Respectfully submitted,

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Certificate of Service

I hereby certify that I have this day served a copy of "Comments Of Sierra Pacific Power Company (U 903-E) On The Issues Raised In The Final KEMA Report Phase 2 Low Income Assessment" on all known parties to R.07-01-042 and A.07-05-010 by transmitting an e-mail message with the document attached to each party named in the official service lists. Parties without e-mail addresses were mailed a properly addressed copy by first-class mail with postage prepaid.

Executed on October 16, 2007 at Sacramento, California

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